

**UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK**

SCHOLASTIC INC.,

Plaintiff,

-against-

BOB DAEMMRICH and BOB DAEMMRICH  
PHOTOGRPAHY, INC.,

Defendants.

**Case No. 15-CV-09550-VSB**

**Hon. Vernon S. Broderick**

**PLAINTIFF SCHOLASTIC INC.'S OPPOSITION TO DEFENDANTS'  
MOTION TO DISMISS THE COMPLAINT**

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## TABLE OF CONTENTS

	<u>Page</u>
TABLE OF AUTHORITIES .....	iii
PRELIMINARY STATEMENT .....	1
RELEVANT FACTUAL BACKGROUND.....	3
LEGAL STANDARDS .....	5
ARGUMENT .....	6
I. THE COURT HAS SUBJECT MATTER JURISDICTION OVER THE INSTANT ACTION .....	6
A. Subject Matter Jurisdiction Under The Declaratory Judgment Act Requires An “Actual Controversy” .....	6
B. The Complaint Pleads An Actual Controversy.....	7
C. This Court Must Exercise Jurisdiction Over The Instant Action Because It Will Clarify The Legal Relations Between The Parties And Afford Relief From The Uncertainty And Controversy Established By The Demand .....	9
D. The Relief Sought By The Instant Action Is Proper Under the Declaratory Judgment Act .....	11
II. THE FIRST-FILED RULE REQUIRES THE INSTANT ACTION TO PROCEED.....	12
A. No Exception To The First-Filed Rule Applies .....	13
1. No “Special Circumstances” Favor The Texas Action.....	13
(a) The Instant Action Is Not An “Improper” Anticipatory Lawsuit Motivated By An Improper Purpose .....	14
(b) Forum Shopping Did Not Motivate The Filing of The Instant Action.....	16
2. The Balance Of Conveniences Also Favors The Instant Action .....	17
3. Daemmrich Offers No Authority That Compels A Departure From The First-Filed Rule .....	18
4. Certain Stock Photo House Licenses Must Be Adjudicated in New York .....	19

III. SCHOLASTIC’S COMPLAINT SUFFICIENTLY PLEADS A CLAIM FOR  
DECLARATORY RELIEF ..... 20

IV. IF REQUIRED, LEAVE TO AMEND SHOULD BE GRANTED ..... 22

CONCLUSION..... 23

**TABLE OF AUTHORITIES**

	<b>Page(s)</b>
<b>Cases</b>	
<i>800-Flowers, Inc. v. Intercontinental Florist, Inc.</i> , 860 F. Supp. 128 (S.D.N.Y. 1994) .....	<i>passim</i>
<i>AARP v. 200 Kelsey Assocs., LLC</i> , No. 06 CIV. 81 (SCR), 2009 WL 47499 (S.D.N.Y. Jan. 8, 2009) .....	10, 11
<i>Arista Records v. Doe</i> , 604 F.3d 110 (2d Cir. 2010).....	6
<i>Bell Atl. Corp. v. Twombly</i> , 550 U.S. 544 (2007).....	6, 22
<i>Bob Daemmrich Photography, Inc. v. Scholastic Inc.</i> , Case No 15-cv-1150-RP (W.D. Tx.) .....	5
<i>Chambers v. Time Warner, Inc.</i> , 282 F.3d 147 (2d Cir. 2002).....	9
<i>Cont'l Cas. Co. v. Coastal Sav. Bank</i> , 977 F.2d 734 (2d Cir. 1992).....	10
<i>Cortec Indus., Inc. v. Sum Holding L.P.</i> , 949 F.2d 42 (2d Cir. 1991).....	9
<i>DeLuca v. AccessIT Grp., Inc.</i> , 695 F. Supp. 2d 54 (S.D.N.Y. 2010).....	9
<i>Effie Film, LLC v. Murphy</i> , 932 F. Supp. 2d 538 (S.D.N.Y. 2013).....	7
<i>Emp'rs Ins. of Wausau v. Fox Entm't Grp., Inc.</i> , 522 F.3d 271 (2d Cir. 2008).....	13, 14, 16, 18
<i>Gianni Sport Ltd. v. Metallica</i> , No. 00 Civ. 0937 (MBM), 2000 WL 1773511 (S.D.N.Y. Dec. 4, 2000) .....	19
<i>Herbert Ltd. P'ship v. Elec. Arts Inc.</i> , 325 F. Supp. 2d 282 (S.D.N.Y. 2004).....	18
<i>Houghton Mifflin Harcourt Pub. Co. v. Dennis Kunkel Microscopy, Inc.</i> , Case No. 1:15-cv-07243-LLS (S.D.N.Y. Mar. 31, 2016).....	11

<i>Ivy-Mar Co. v. Weber-Stephen Prods., Co.</i> , No. 93 CIV. 5973 (PKL), 1993 WL 535166 (S.D.N.Y. Dec. 22, 1993) .....	16
<i>J. Lyons &amp; Co. v. Republic of Tea, Inc.</i> , 892 F. Supp. 486 (S.D.N.Y. 1995) .....	17
<i>Jacobs v. Carnival Corp.</i> , No. 06 CIV. 0606 (DAB), 2009 WL 856637 (S.D.N.Y. Mar. 25, 2009) .....	13
<i>John Wiley &amp; Sons, Inc. v. DRK Photo</i> , No. 11 CIV. 5454 GBD, 2012 WL 4903250 (S.D.N.Y. Oct. 15, 2012).....	<i>passim</i>
<i>John Wiley &amp; Sons, Inc. v. Visuals Unlimited Inc.</i> , No. 11 Civ. 5453 (CM), 2011 WL 5245192 (S.D.N.Y. Nov. 2, 2011) .....	10, 11
<i>Kickstarter, Inc. v. ArtistShare, Inc.</i> , No. 11 CIV. 6909 PAC, 2012 WL 1192021 (S.D.N.Y. Apr. 10, 2012) .....	7
<i>La Grande v. DeCrescente Distrib. Co.</i> , 370 F. App'x 206 (2d Cir. 2010) .....	6
<i>Lee v. Makhnevich</i> , No. 11 CIV. 8665 PAC, 2013 WL 1234829 (S.D.N.Y. Mar. 27, 2013).....	8, 11, 21, 23
<i>Lefkowitz v. McGraw-Hill Cos.</i> , No. 13-26 161, 2013 WL 3061549 (E.D. Pa. June 19, 2013).....	20
<i>Lunney v. United States</i> , 319 F.3d 550 (2d Cir. 2003).....	5, 6
<i>Magi XXI, Inc. v. Stato Della Citta Del Vaticano</i> , 818 F. Supp. 2d 597 (E.D.N.Y. 2011) .....	20
<i>Makarova v. United States</i> , 201 F.3d 110 (2d Cir. 2000).....	5
<i>MedImmune, Inc. v. Genentech, Inc.</i> , 549 U.S. 118 (2007).....	6
<i>Medtronic, Inc. v. Mirowski Family Ventures, LLC</i> , 134 S. Ct. 843 (2014).....	22
<i>Muench Photography, Inc. v. McGraw-Hill Cos.</i> , No. 3:12-cv-02473-EMC (N.D. Cal. July 13, 2012) .....	20
<i>Nike, Inc. v. Already, LLC</i> , 663 F.3d 89 (2d Cir. 2011), <i>aff'd</i> , 133 S. Ct. 721 (2013) .....	6

<i>Ontel Products, Inc. v. Project Strategies Corp.</i> , 899 F. Supp. 1144 (S.D.N.Y. 1995).....	12, 13, 15
<i>Pharm. Res., Inc. v. Alpharma USPD Inc.</i> , No. 02 CIV.1015 LMM, 2002 WL 987299 (S.D.N.Y. May 13, 2002) .....	13, 14, 16, 17
<i>San Leandro Emergency Med. Grp Profit Sharing Plan v. Philip Morris</i> , 75 F.3d 801, 808-09 (2d Cir. 1996) .....	8
<i>Senisi et al. v. John Wiley &amp; Sons, Inc.</i> , Case No. 13-cv-03314 (S.D.N.Y.).....	15
<i>Sohm v. McGraw-Hill Global Ed. Holdings, LLC</i> , No. 16-cv-01316-SJO-KS (C.D. Cal. June 6, 2016).....	20
<i>State Farm Mut. Auto. Ins. Co. v. Rabiner</i> , 749 F. Supp. 2d 94 (E.D.N.Y. 2010) .....	22
<i>Telebrands Corp. v. Exceptional Products Inc.</i> , No. 11-CV-2252, 2011 WL 6029402 (D.N.J. Dec. 5, 2011).....	8
<i>Veoh Networks, Inc. v. UMG Recordings, Inc.</i> , 522 F. Supp. 2d 1265 (S.D. Cal. 2007).....	8
<i>Young-Wolff v. McGraw-Hill Cos.</i> , No. 13-CV-4372 (KMW) (JCF), 2014 WL 349711 (S.D.N.Y. Jan. 31, 2014) .....	15

## **Statutes**

28 U.S.C. § 2201(a) .....	6, 12, 19, 22
---------------------------	---------------

## **Rules**

Fed. R. Civ. P. 12(b)(1).....	5
Fed. R. Civ. P. 12(b)(6).....	6, 21
Fed. R. Civ. P. 15(a)(2).....	23

Plaintiff Scholastic Inc. (“Scholastic”) respectfully submits this memorandum of law in opposition to Defendants Bob Daemmrch and Bob Daemmrch Photography, Inc.’s (together, “Daemmrch”) motion to dismiss (“Mot.”).

### **PRELIMINARY STATEMENT**

Daemmrch does not have the right to make unsupported and speculative accusations of copyright infringement, demand that Scholastic disclose voluminous records dating back over twenty years (hoping to substantiate his claims), and then dismiss Scholastic’s Complaint seeking a judgment precluding Daemmrch’s improper behavior.

Daemmrch licenses photographic images to third parties through various stock photograph licensing agents (“Stock Photo Houses”). Scholastic contracts with these Stock Photo Houses to license stock images for its many publications. When one of those licensed images belongs to Daemmrch, Scholastic pays the Stock Photo Houses a licensing fee and the Stock Photo Houses pay Daemmrch his share.

Notwithstanding this arrangement and the absence of any evidence that Scholastic exceeded its licenses with the Stock Photo Houses, Daemmrch sent Scholastic a demand letter on November 30, 2015 (the “Demand”) accusing it of infringing the copyrights of 446 images validly licensed by Scholastic from the Stock Photo Houses. The Demand threatened that if Scholastic failed to provide Daemmrch with “print runs, image size, geographic area, textbook language, electronic uses” for all 446 images, he would file litigation against Scholastic “forthwith.” But Daemmrch has no right under copyright or any other law to seek such a burdensome audit. Nor must Scholastic stand idly by while being accused of infringement without any factual basis.

To protect itself from this threat and potential disruption to Scholastic’s business, Scholastic filed this action seeking a declaration that Daemmrch has no right to an audit and that

Scholastic is not liable to Daemmrigh for copyright infringement (“the Instant Action”).

Daemmrigh subsequently filed an action for copyright infringement against Scholastic in the Western District of Texas (the “Texas Action”) with respect to only 368 of the images identified in the Demand. Daemmrigh now requests that this Court dismiss the first-filed Instant Action for several reasons, none of which have merit.

*First*, Daemmrigh argues that this Court lacks subject matter jurisdiction over this action because no “actual controversy” exists sufficient to establish subject matter jurisdiction. But Daemmrigh’s contention is belied by his filing of the Texas Action, which involves a subset of precisely the same controversy between the parties. Additionally, the Demand constitutes a real and substantial threat of litigation over the same alleged infringement and is itself sufficient to establish an actual controversy between the parties.

*Second*, Daemmrigh argues that even if the Court has subject matter jurisdiction, it should choose not to exercise it. This case presents a situation where the Court must exercise jurisdiction, however, because the Instant Action will settle the entire controversy between the parties. The Instant Action seeks an adjudication of non-infringement of all 446 images asserted in the Demand (rather than only the 368 images at issue in the Texas Action), as well as resolving the dispute over Daemmrigh’s audit demand.

*Third*, contrary to Daemmrigh’s contention, the first-filed rule instructs that the Instant Action should proceed. Daemmrigh has not shown that either of the only two exceptions to this rule apply. Scholastic did not file an anticipatory law suit for an improper purpose. Moreover, the Southern District of New York is the proper forum for the Court to hear a claim involving a New York-based publisher where nearly all of the witnesses and documents are located, and where numerous cases involving similar legal issues have been and are currently being adjudicated. In addition, some of the Stock Photo House licenses underlying Scholastic’s non-



infringement argument contain New York forum-selection clauses. Non-infringement claims based on those licenses therefore *must* be adjudicated in this Court—as several other courts have previously held.

*Fourth*, Daemmrch’s position that Scholastic’s Complaint fails to allege enough facts to state a claim seeks to impose on Scholastic the same requirements needed to plead a copyright infringement suit, which is not what is required to plead a claim for declaratory relief of *non-infringement* (and for relief with respect to audit rights). All that is required to state a claim for declaratory judgment of non-infringement are allegations sufficient to show that the Court has jurisdiction and that a justiciable controversy is involved. Moreover, the Complaint does, in fact, allege the existence of Stock Photo House licenses and incorporates by reference all of the information provided by Daemmrch on the 446 images at issue (which notably are the same factual allegations asserted by Daemmrch in the Texas Action complaint with respect to the 368 images at issue there). Scholastic’s Complaint plainly meets the applicable pleading standard to state a claim for declaratory judgment of non-infringement.

Thus, Daemmrch’s Motion must be denied in its entirety.

### **RELEVANT FACTUAL BACKGROUND**

Scholastic is a publisher and distributor of children’s books and a leader of educational publications in children’s media. Compl. ¶ 14. Scholastic regularly enters into agreements with Stock Photo Houses and/or photographers that permit Scholastic to use their images in its publications. *Id.* ¶ 16. Bob Daemmrch purports to be a professional photographer and owner of Bob Daemmrch Photography, Inc. Mot. at 3.

On November 30, 2015, Daemmrch’s counsel sent a Demand to Scholastic’s counsel accusing Scholastic of infringing Daemmrch’s copyrights in numerous stock photographs licensed by Daemmrch to Scholastic through certain Stock Photo Houses (specifically, Corbis,

Inc., Getty Images, Inc., Photo Edit, Inc., Stock, Boston, Inc. and the Image Works, Inc.). *See* Compl., ¶ 20 & n.1, Ex. A. The Demand threatened litigation if Scholastic failed to comply with Daemmrch's demands for an exhaustive audit with respect to 446 licensed photographs. *Id.* Specifically, Daemmrch demanded that, for each of the images (which were listed in five spreadsheets attached to the Demand), Scholastic provide information about "print runs, image size, geographic area, textbook language, electronic uses," without limitation as to time frame. *Id.* A significant number of the invoices or licenses identified by Daemmrch date back many years, including some over 20-years old. *See* Declaration of Craig B. Whitney ("Whitney Decl."), Ex. E at 15 (*e.g.*, Invoice 940421 – 6/15/94; Invoice 950374 – 6/12/95; Invoice 960048 – 1/22/96).

Tellingly, despite Daemmrch's accusations of infringement, Daemmrch never provided any basis for his contention that Scholastic had exceeded the scope of any license or otherwise infringed his rights. *See* Compl., Ex. A. To the contrary, Daemmrch claims to lack the information necessary to make this determination. *See id.* Undeterred by these unsupported accusations of infringement, the Demand unambiguously stated that a failure by Scholastic to provide detailed information spanning over 20 years—in some cases without identifying the Scholastic work in which some of Daemmrch's licensed images allegedly appeared—and sign an agreement tolling the statute of limitations by December 10, 2015, would result "forthwith" in "litigation in Daemmrch's home district." *Id.* Daemmrch's Demand made clear that providing "only print run information for a limited period" would not have been "adequate." *Id.*

While Daemmrch's counsel was careful to avoid using the word "audit" in the Demand, requiring Scholastic to provide detailed factual information about its compliance with Stock Photo House licenses—and threatening litigation if Scholastic did not comply—is an audit request. As shown below, courts in this jurisdiction have held that there is no audit right under

copyright law and have rejected similar efforts to force publishers to disclose information of the type sought by Daemmrch. Faced with this threat, and absent any stated basis for the accusation that Scholastic had infringed any of Daemmrch's copyrights, Scholastic filed the Instant Action on December 7, 2015, seeking a judgment declaring that Daemmrch has no legal basis to audit Scholastic's use of images licensed from the Stock Photo Houses, under either the Copyright Act or any contract, and a judgment declaring that Scholastic has not infringed Daemmrch's copyrights in the 446 images identified in the Demand. Compl., Prayer for Relief ¶¶ A-B.

Days later, on December 11, 2015, Bob Daemmrch Photography, Inc. filed the Texas Action in the Western District of Texas, asserting copyright infringement against Scholastic for 368 of the images at issue in the Instant Action. *See* Whitney Decl., Ex. C.<sup>1</sup> Notably, the complaint in the Texas Action provides no further clarity as to the basis underlying Daemmrch's accusations of infringement, only generalized statements made on information and belief. *Id.*

Daemmrch now moves to dismiss the Instant Action for lack of subject matter jurisdiction and failure to state a claim. That motion must be denied.

### **LEGAL STANDARDS**

A motion to dismiss for lack of subject matter jurisdiction under Rule 12(b)(1) concerns whether the district court has the statutory or constitutional power to adjudicate the case. *See Makarova v. U.S.*, 201 F.3d 110, 113 (2d Cir. 2000). In deciding this type of motion, a district court "may refer to evidence outside the pleadings." *Id.* The court also must accept all factual

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<sup>1</sup> The Texas Action is currently stayed pending the issuance of an order in this Court as to whether the Texas Action should be dismissed, stayed, transferred and consolidated, or permitted to proceed in the Texas court. *See Bob Daemmrch Photography, Inc. v. Scholastic Inc.*, Case No 15-cv-1150-RP (W.D. Tx.) (Dkt. # 8).

allegations as true. *See Lunney v. U.S.*, 319 F.3d 550, 554 (2d Cir. 2003). A plaintiff need only show by a preponderance of the evidence that subject matter jurisdiction exists. *Id.*

When considering a motion to dismiss for failure to state a claim upon which relief can be granted, under Federal Rule of Civil Procedure 12(b)(6), a court must determine whether the complaint alleges “enough facts to state a claim for relief that is plausible on its face.” *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007). In doing so, a court must “constru[e] the Complaint liberally, accept[] all factual allegations in the Complaint as true, and draw[] all reasonable inferences in the plaintiff’s favor.” *Galiano v. Fid. Nat. Title Ins. Co.*, 684 F.3d 309, 311 (2d Cir. 2012). The complaint need not plead “specific evidence” or “extra facts” beyond what is needed to make the claim plausible. *See Arista Records v. Doe*, 604 F.3d 110, 120-21 (2d Cir. 2010).

## **ARGUMENT**

### **I. THE COURT HAS SUBJECT MATTER JURISDICTION OVER THE INSTANT ACTION**

#### **A. Subject Matter Jurisdiction Under The Declaratory Judgment Act Requires An “Actual Controversy”**

The Declaratory Judgment Act (“DJA”), 28 U.S.C. § 2201(a), permits a court, “[i]n a case of actual controversy within its jurisdiction,” to “declare the rights and other legal relations of any interested party seeking such declaration. . . .” 28 U.S.C. § 2201(a). Pursuant to *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127, 133 n.11 (2007), the totality-of-the-circumstances test applies in intellectual property cases to determine whether there is an “actual controversy.” *See Nike, Inc. v. Already, LLC*, 663 F.3d 89, 95 (2d Cir. 2011), *aff’d*, 133 S. Ct. 721 (2013) (citing *MedImmune*). This test looks at whether “the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal

interests, of sufficient immediacy and reality” to warrant the issuance of a declaratory judgment. *Effie Film, LLC v. Murphy*, 932 F. Supp. 2d 538, 553 (S.D.N.Y. 2013).

One of the circumstances courts look at in determining whether declaratory relief is warranted is whether the plaintiff has reasonable apprehension that it will be sued. *See Kickstarter, Inc. v. ArtistShare, Inc.*, No. 11 CIV. 6909 PAC, 2012 WL 1192021, at \*4 n.1 (S.D.N.Y. Apr. 10, 2012) (citing *Prasco, LLC v. Medicis Pharm. Corp.*, 537 F.3d 1329, 1336 (Fed. Cir. 2008)). To that end, “if a party has actually been charged with infringement . . . there is *necessarily*, a case or controversy adequate to support [declaratory judgment] jurisdiction.” *Id.* at \*3 (citations omitted) (emphasis in original).

#### **B. The Complaint Pleads An Actual Controversy**

Daemmrigh filed a copyright infringement claim against Scholastic only days after the Instant Action, alleging infringement of hundreds of the *same* images identified in the Complaint. *See* Whitney Decl., Ex. C. This alone is sufficient to show that the Instant Action presents a live controversy between the parties. *See, e.g., John Wiley & Sons, Inc. v. DRK Photo*, No. 11 CIV. 5454 GBD, 2012 WL 4903250, at \*1 (S.D.N.Y. Oct. 15, 2012) (“*DRK Photo*”) (“Defendant’s claim of a lack of case or controversy is also inherently belied by the fact that the defendant has brought the same suit . . . claiming copyright infringement, in Arizona.”).

Additionally, the well-pleaded facts in the Complaint and attached exhibit clearly show that there is a “real and substantial” adversity of legal interests between Scholastic and Daemmrigh. Specifically, the Demand accused Scholastic of infringing copyrights in 446 images licensed to Scholastic by the Stock Photo Houses and threatened that a failure by Scholastic to comply with a burdensome audit would result in litigation. Compl., Ex. A. This clear threat of litigation also is sufficient to create an actual controversy between the parties as to the alleged infringement of those images, which is the controversy asserted in the Complaint.

*See, e.g. Lee v. Makhnevich*, No. 11 Civ. 8665(PAC), 2013 WL 1234829, at \*4 (S.D.N.Y. Mar. 27, 2013) (threats of litigation sufficient to show that actual controversy exists); *see also Telebrands Corp. v. Exceptional Products Inc.*, No. 11-CV-2252, 2011 WL 6029402, at \*2 (D.N.J. Dec. 5, 2011) (communications to plaintiff notifying it of potential causes of action adequately showed an immediate and real controversy).

Daemmrch's contention that the Instant Action does not contain an actual controversy is flawed. To begin with, the argument relies on outdated and non-binding authority. Mot. at 9-16 (citing *Diagnostic Unit Inmate Council v. Films Inc.*, 88 F.3d 651 (8th Cir. 1996) (citing *State of Tex. v. W. Pub. Co.*, 882 F.2d 171, 175 (5th Cir. 1989) (applying pre-*MedImmune* test))). Daemmrch also incorrectly argues that the facts alleged in the Complaint are too vague to establish an actual controversy. (Mot. at 9-11.) But the Complaint identifies the 446 images that were the subject of Daemmrch's threatened litigation and incorporates the five spreadsheets from Daemmrch that provide information including invoice/license number, invoice date, image description, summary of rights licensed and title of publication. Compl. ¶ 20 & n.1; *see also* Whitney Decl., Ex. E.<sup>2</sup>

Scholastic did not attach these voluminous spreadsheets as exhibits to the Complaint, but they are properly considered as part of the Complaint for several reasons. First, the charts are attachments to the Demand, which is attached to the Complaint as Exhibit A. *See, e.g., San Leandro Emergency Med. Grp Profit Sharing Plan v. Philip Morris*, 75 F.3d 801, 808-09 (2d

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<sup>2</sup> Daemmrch's reliance on *Veoh Networks, Inc. v. UMG Recordings, Inc.*, 522 F. Supp. 2d 1265 (S.D. Cal. 2007), is misplaced. In addition to applying a different circuit's standards, the complaint in that case sought a declaration as to non-infringement, but alleged only that the defendant owned "unspecified copyrights" and had made "unspecified threats" of litigation. *Id.* at 1270.

Cir. 1996) (upholding consideration, on motion to dismiss, of full text of documents partially quoted in complaint). Second, Scholastic incorporated them by reference into the Complaint. *See* Compl. ¶ 20 n.1; *see also DeLuca v. AccessIT Grp., Inc.*, 695 F. Supp. 2d 54, 60 (S.D.N.Y. 2010) (documents are incorporated by reference where the complaint makes “a clear, definite and substantial reference to the documents”). Finally, the Complaint relies heavily on the Demand’s “terms and effect” and Daemmrch had notice of the Demand and attached spreadsheets (indeed, Daemmrch created them), which render them “integral” to the Complaint. *See Chambers v. Time Warner, Inc.*, 282 F.3d 147, 152-53 (2d Cir. 2002) (“Even where a document is not incorporated by reference, the court may nevertheless consider it where the Complaint ‘relies heavily upon its terms and effect,’ which renders the document ‘integral’ to the Complaint.”); *cf. Cortec Indus., Inc. v. Sum Holding L.P.*, 949 F.2d 42, 47 (2d Cir. 1991) (a document integral to the complaint, but which is neither attached nor incorporated by reference, may nevertheless be relied on in a motion to dismiss).<sup>3</sup>

The Complaint thus clearly pleads the actual controversy required for subject matter jurisdiction.

**C. This Court Must Exercise Jurisdiction Over The Instant Action Because It Will Clarify The Legal Relations Between The Parties And Afford Relief From The Uncertainty And Controversy Established By The Demand**

While the district court generally has discretion to exercise declaratory judgment jurisdiction, the Second Circuit has held that a court is required to exercise that authority “(1) when the judgment will serve a useful purpose in clarifying and settling the legal relations in issue, *or* (2) when it will terminate and afford relief from the uncertainty, insecurity, and

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<sup>3</sup> Scholastic has included the spreadsheets as Exhibit E to the Declaration of Craig B. Whitney, filed concurrently herewith.

controversy giving rise to the proceeding.” *AARP v. 200 Kelsey Assocs., LLC*, No. 06 Civ. 81 (SCR), 2009 WL 47499, at \*4 (S.D.N.Y. Jan. 8, 2009) (citing *Cont’l Cas. Co. v. Coastal Sav. Bank*, 977 F.2d 734, 736 (2d Cir. 1992)). Satisfaction of either prong is sufficient. *Cont’l Cas. Co.*, 977 F.2d at 737.

Daemmrch contends that this Court should use its discretion to decline to exercise jurisdiction over the Instant Action because the Instant Action “will not fully resolve the controversy, or serve any useful purpose.” Mot. at 20. To the contrary, the Instant Action would resolve the entire controversy between the parties, i.e., a determination of non-infringement with respect to all images identified in the Demand and a determination of rights with respect to the audit demand. *See* Compl., Prayer for Relief ¶¶ A-B. The Texas Action, on the other hand, seeks a determination of liability with respect to only a subset of the copyrights that Daemmrch claims have been infringed. *See* Whitney Decl., Ex. C.

By resolving the entire dispute, the Instant Action will also quell Scholastic’s uncertainty as to its audit obligations (or lack thereof) and both parties’ uncertainty as to liability, which ultimately will resolve the controversy. Accordingly, both prongs are satisfied, and the law thus compels that jurisdiction be maintained. *See AARP*, 2009 WL 47499, at \*4.

The case of *John Wiley & Sons, Inc. v. Visuals Unlimited Inc.*, No. 11-CV-5453-CM, 2011 WL 5245192, at \*2 (S.D.N.Y. Nov. 2, 2011) (“*Visuals Unlimited*”), relied on by Daemmrch, is inapposite. In *Visuals Unlimited*, the plaintiff filed a declaratory judgment action seeking an adjudication of three affirmative defenses to the defendant’s claim of copyright infringement. The plaintiff did *not* seek a determination of non-infringement. *Id.* The court therefore held that the action would not serve a useful purpose in clarifying the legal relations between the parties because, even if the court issued the plaintiff’s desired declaration, the



parties still would need to litigate the merits of the infringement claim and the defendant's fraud claim (which was indisputably part of the controversy). *Id.*

The Instant Action, in contrast, seeks the judgment that the *Visuals Unlimited* complaint was missing—a determination that Scholastic is not liable to Daemmrch for copyright infringement with respect to all 446 images that form the basis of the parties' controversy, as well as a declaration of rights with respect to the audit. *See* Compl., Prayer for Relief ¶¶ A-B. Daemmrch's argument—here, and elsewhere in the motion to dismiss—misconstrues the Complaint as seeking primarily a judgment that the statute of limitations bars any action for infringement. *See* Mot. at 20-21; *see also id.* at 2, 12-13, 22-24. But the Complaint seeks a declaratory judgment of *non-infringement* that is supported by several reasons, including the fact that Scholastic has a license to use all of the asserted images (which Daemmrch acknowledges in the Demand). *See* Compl. ¶¶ 1, 30; Prayer for Relief ¶ B; Ex. A; Whitney Decl., Ex. E. If the Court provides this requested relief, there will be no issues remaining for the parties to litigate.

#### **D. The Relief Sought By The Instant Action Is Proper Under the Declaratory Judgment Act**

The relief sought in the Complaint—for non-infringement of copyrights and a determination of audit rights—is routinely sought through declaratory judgment actions. *See, e.g., Lee*, 2013 WL 1234829, at \*4; *see also AARP*, 2009 WL 47499, at \*4 (“Declaratory judgment actions involving intellectual property rights are most often brought by potential infringers seeking a declaration of noninfringement or invalidity.”). Indeed, many publishers have sought declaratory judgment in response to audit demands like the one asserted by Daemmrch here. *See, e.g., DRK Photo*, 998 F. Supp. 2d at 272-73.<sup>4</sup>

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<sup>4</sup> Daemmrch again relies on *Visuals Unlimited* to argue otherwise (Mot. at 12), but *Visuals Unlimited* sought a declaration of rights only with respect to affirmative defenses. 2011 WL

Finally, Daemmrigh's argument that the Instant Action should be dismissed because it only seeks a declaration with respect to past acts of infringement lacks merit. Mot. at 14. The Complaint alleges that Scholastic may be including the 446 images at issue in publications that it "currently is selling or intends to sell in the future." Compl. ¶ 24 (emphasis added). Scholastic accordingly seeks an adjudication of its rights to sell publications that include Daemmrigh's photographs, as well as with respect to a pending audit demand.<sup>5</sup>

The Instant Action is therefore proper under the Declaratory Judgment Act and the Court should exercise its discretion to hear it.

## II. THE FIRST-FILED RULE REQUIRES THE INSTANT ACTION TO PROCEED

The Second Circuit follows the first-filed rule: "Where lawsuits concerning the same parties and issues are pending in two federal districts, the first-filed rule of the Second Circuit generally affords priority to the first-filed suit when courts choose which suit to permit to go forward." *Ontel Products, Inc. v. Project Strategies Corp.*, 899 F. Supp. 1144, 1150 (S.D.N.Y. 1995). This rule "avoids duplicative litigation by adhering to the inherently fair concept that the party who commenced the first suit should generally be the party to attain its choice of venue." *Id.* By eliminating duplicative suits, the rule "embodies considerations of judicial administration and conservation of resources." *Emp'rs Ins. of Wausau v. Fox Entm't Grp., Inc.*,

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5245192, at \*7. The same applies to the complaint cited by Daemmrigh (Mot. at 13) in *Houghton Mifflin Harcourt Pub. Co. v. Dennis Kunkel Microscopy, Inc.*, Case No. 1:15-cv-07243-LLS (S.D.N.Y. Mar. 31, 2016).

<sup>5</sup> Daemmrigh makes a confusing argument that Scholastic cannot claim that some publications allegedly containing Daemmrigh's images have not been sold in many years while others continue to be sold. Mot. at 2, 15. Daemmrigh has accused Scholastic of infringing over 400 images, some of which were licensed to Scholastic 20 years ago. Thus, some of the publications that contain the images may not have been published in many years, while others may continue to be published today or in the future.

522 F.3d 271, 275 (2d Cir. 2008). The first-filed rule applies even when the first-filed action seeks a declaratory judgment. *800-Flowers, Inc. v. Intercontinental Florist, Inc.*, 860 F. Supp. 128, 132 (S.D.N.Y. 1994).

It is undisputed that the Instant Action and the Texas Action involve the same parties and the same claims. *See* Mot. at 17-20. It also is undisputed that Scholastic filed the Instant Action prior to Daemmrch filing the Texas Action. *See id.* at 4-5. Thus, the first-filed rule instructs this Court to hear the Instant Action.<sup>6</sup> *See, e.g., DRK Photo*, 2012 WL 4903250, at \*1 (the first-filed rule gives priority to first-filed suit).

#### **A. No Exception To The First-Filed Rule Applies**

To deviate from the first-filed rule, Daemmrch must demonstrate that one of two exceptions apply: (1) where “special circumstances” warrant giving priority to the second suit, or (2) where, in the discretion of the court, the “balance of convenience” favors the second-filed action. *Emp’rs Ins.*, 522 F.3d at 275; *see also Pharm. Res., Inc. v. Alpha Pharma USPD Inc.*, No. 02 CIV.1015 LMM, 2002 WL 987299, at \*2 (S.D.N.Y. May 13, 2002) (“The first-to-file rule requires a court to give priority to the action filed first even if it is a declaratory action. . . . The party seeking to deviate from the rule must demonstrate that circumstances justifying an exception exist . . .”). Neither exception applies to this well-settled legal principle.

#### **1. No “Special Circumstances” Favor The Texas Action**

The “special circumstance” exception applies in situations where the first-filed rule is an “improper” anticipatory lawsuit, or where forum shopping *alone* motivated the filing of the first

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<sup>6</sup> Daemmrch is permitted to assert copyright infringement counterclaims in the Instant Action, provided that Daemmrch meets the requirements for making such claims, including by setting forth the works that contain the allegedly infringing material, the proof of copyright registrations and the other specifics of the alleged claims. *See, e.g., Jacobs v. Carnival Corp.*, No. 06 Civ. 0606 (DAB), 2009 WL 856637, at \*4 (S.D.N.Y. Mar. 25, 2009).

suit. *Emp'rs Ins.*, 522 F.3d at 276. The Instant Action, however, is neither an improper anticipatory lawsuit filed for an improper purpose nor motivated (solely or at all) by forum shopping.

**(a) The Instant Action Is Not An “Improper” Anticipatory Lawsuit Motivated By An Improper Purpose**

As an initial matter, the Instant Action could not be deemed anticipatory in light of Daemmrch's Demand. An anticipatory lawsuit is one that is filed “in response to a direct threat of litigation that gives specific warnings as to deadlines and subsequent legal action.” *Emp'rs Ins.*, 522 F.3d at 276. The threat must include “the intention to file suit, a filing date, and/or a specific forum for the filing of the suit.” *Pharm. Res., Inc.*, 2002 WL 987299, at \*3.

Although the Demand threatened litigation, it did not state a filing date or identify a specific forum. *See* Compl., Ex. A. Daemmrch threatened to initiate litigation at some indefinite time in the future if Daemmrch's counsel did not hear from Scholastic's counsel by December 10, 2015. There was no anticipated filing date for the litigation provided. Further, Daemmrch's counsel threatened to sue “in Daemmrch's home district,” but did not identify where that was. *Id.* Scholastic cannot be accused of trying to avoid being sued in a particular forum if that forum is never identified. Daemmrch therefore cannot meet these basic requirements of the “improper anticipatory lawsuit” exception.

Regardless, even if the Instant Action was anticipatory, not all anticipatory actions are “improper,” i.e., motivated solely by a “‘race to the courthouse’ to attain first-filed status.” *See 800-Flowers, Inc.*, 860 F. Supp. at 133. An anticipatory suit is not “improper” if the first-filing party was motivated by some other, legitimate reason. *See, e.g., Ontel Products, Inc.*, 899 F. Supp. at 1151. For example, courts in this district have held that an anticipatory lawsuit is *not* “improper” for purposes of the exception “where the adversary was genuinely concerned with

obtaining a benefit beyond the scope of what the other party could be expected to bring suit for.” *Id.* (anticipatory filing was not “improper” where plaintiff “genuinely pursue[ed] relief beyond what [opposing party’s] suit could be expected to encompass”).

Here, in addition to the Instant Action not being an anticipatory lawsuit, Scholastic was motivated by a legitimate reason—to protect itself from an expensive and time-consuming audit. Compl., Prayer for Relief ¶ A. Daemmrch has no audit right under copyright law. *See, e.g., Young-Wolff v. McGraw-Hill Cos.*, No. 13-CV-4372 (KMW) (JCF), 2014 WL 349711, at \*6-8 (S.D.N.Y. Jan. 31, 2014) (“Plaintiff points to neither case law nor language in the Copyright Act indicating that a copyright owner has an inherent right to sue a licensee for an audit.”); *see also* Whitney Decl. Ex. H (*Senisi et al. v. John Wiley & Sons, Inc.*, Case No. 13-cv-03314 (S.D.N.Y.) (Dkt. #43)) (same). Daemmrch also has no contractual basis to seek an audit, and does not claim otherwise. Through the Instant Action, Scholastic seeks to avoid an improper demand that Scholastic search through over 20 years of records for 446 photographs, when Daemmrch has neither provided any basis for the claims of infringement nor even identified the publications that allegedly contain some of the images. The relief Scholastic seeks with respect to the audit does not fall within the scope of the expected (or actual) copyright infringement suit by Daemmrch. *See* Whitney Decl., Ex. C.

The Instant Action is therefore not an improper anticipatory lawsuit and no exception to the first-filed rule applies. *See 800-Flowers, Inc.*, 860 F. Supp. at 133 (the first-filer “had a legitimate and meritorious rationale for seeking a declaratory judgment, since a resolution of the infringement issue . . . would benefit [the first-filer’s] developing business.”); *see also Ivy-Mar Co. v. Weber-Stephen Prods., Co.*, No. 93 Civ. 5973 (PKL), 1993 WL 535166, at \*1 (S.D.N.Y. Dec. 22, 1993) (anticipatory action for declaratory judgment of non-infringement was not “improper” because it asserted additional causes of action).

**(b) Forum Shopping Did Not Motivate The Filing of The Instant Action**

Daemmrch also suggests that the first-filed rule should not apply because Scholastic engaged in forum shopping. Mot. at 17. This argument is both inaccurate and insufficient to warrant a departure from the first-filed rule. Forum shopping qualifies as a “special circumstance” where it is the *only* motivation for the filing of the first suit in a particular forum. *See Emp’rs Ins.*, 522 F.3d at 276.

As discussed, Scholastic was motivated to file the Instant Action by a legitimate reason, not by forum shopping (and certainly not *only* by forum shopping). Moreover, Daemmrch provides no explanation as to how New York law differs from Texas law in any way relevant to this action that would incentivize Scholastic to forum shop. New York is clearly the appropriate forum for this action and the one with the most connection to this case. *See Pharm. Res., Inc.*, 2002 WL 987299, at \*3 (forum shopping is an exception to the first-filed rule “where a suit bears only a slight connection to the action”) (internal citation omitted). Scholastic is based in New York, the majority of witnesses and evidence are in the New York area, and the alleged infringing acts are occurring in New York. *See* Declaration of Allison Henderson (“Henderson Decl.”) ¶¶ 2-4. As discussed further below, this dispute has no connection to Texas other than Daemmrch himself. And some of the license agreements at issue are governed by forum-selection clauses *requiring* that this action be adjudicated in New York. *See id.* Exs. A & B.

Forum shopping is thus not a special circumstance that alters the rule in favor of the Instant Action. *See Pharm. Res., Inc.*, 2002 WL 987299, at \*3 (“This case has a sufficient nexus with Maryland: Alpharma’s principal place of business is Maryland and the alleged infringement took place in that state as well. Therefore, forum shopping is not a special circumstance that favors the Maryland action in this case.”). Accordingly, there are no “special circumstances”

that favor a departure from the first-filed rule and the Instant Action should proceed before this Court.

## **2. The Balance Of Conveniences Also Favors The Instant Action**

New York is the more convenient and appropriate forum to hear this case. The relevant factors to consider are: (1) the convenience of witnesses; (2) the location of relevant documents and the relative ease of access to sources of proof; (3) the convenience of the parties; (4) the locus of the operative facts; (5) the availability of process to compel attendance of unwilling witnesses; (6) the relative means of the parties; (7) a forum's familiarity with the governing law; (8) the weight accorded a plaintiff's choice of forum; and (9) trial efficiency and the interests of justice, based on the totality of the circumstances. *J. Lyons & Co. v. Republic of Tea, Inc.*, 892 F. Supp. 486, 492 (S.D.N.Y. 1995).

Scholastic is located in New York, its employees/witnesses are located in the New York area, the alleged infringement is occurring in New York, and the relevant documents are located in New York. *See* Henderson Decl. ¶¶ 2-4; *see also 800-Flowers, Inc.*, 860 F. Supp. at 134 (“The location of witnesses and physical evidence is a major factor . . . in assessing the applicability of the first filed rule. The convenience of both party and non-party witnesses may be the single most important factor in the analysis of whether one forum is more appropriate than a competing forum.”). While Daemmrch seeks to downplay the significance of the documents being located in New York by stating that “modern technologies permit any documents to be transported to or from New York or Texas with minimal difficulty” (Mot. at 20),<sup>7</sup> in this case, most of Daemmrch's images were licensed for use in numerous different hardcopy books, which

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<sup>7</sup> Daemmrch relies on *Herbert Ltd. P'ship v. Elec. Arts Inc.*, 325 F. Supp. 2d 282 (S.D.N.Y. 2004), in support of this argument, but that case actually concludes that, *despite* modern technology, where the documents and evidence physically reside weighs in favor of the venue. *Id.* at 289.

are more difficult to transport. *See* Henderson Decl. ¶ 5. And, while Scholastic likely has greater means than Daemmrch, that disparity is significantly diminished given that Daemmrch would only have to transport *himself* to New York, and only for a limited time.

Indeed, the only genuine connection between this action and Texas is Daemmrch. Although Daemmrch claims that “three party-affiliated witnesses” are located in Texas (without explaining how they are relevant), it is dubious that Daemmrch would seek to rely on any witness other than himself (or Scholastic employees). On the other hand, virtually every witness with knowledge regarding Scholastic’s print-runs, revenue, licensing history, and potential uses of the licensed images is located in New York. *See id.* ¶ 3. Further, courts in the Southern District of New York have adjudicated numerous similar cases alleging that publishers have exceeded their photo licenses—many, in fact, involving Daemmrch’s counsel—and a body of case law has developed as a result. Whitney Decl. ¶ 3 & Ex. D.

Accordingly, because nearly every relevant factor favors New York over Texas, the balance of factors strongly favors the Southern District of New York and “does not overcome the presumption of allowing the action to continue in the forum where it was first filed.” 800-*Flowers, Inc.*, 860 F. Supp. at 134; *see also Emp’rs Ins.*, 522 F.3d at 275 (“[A]n even or inconclusively tilted ‘balance of convenience’ would ordinarily support application of the first-filed rule.”) (internal citation omitted).

### 3. **Daemmrch Offers No Authority That Compels A Departure From The First-Filed Rule**

Daemmrch relies heavily on *Visuals Unlimited* and *Gianni Sport Ltd. v. Metallica*, No. 00 Civ. 0937 (MBM), 2000 WL 1773511 (S.D.N.Y. Dec. 4, 2000), to support a departure from the first-filed rule. Mot. at 17-18. Both cases, however, are factually distinguishable from the Instant Action and, therefore, inapplicable.



As noted above, the *Visuals Unlimited* court dismissed the complaint for several reasons that do not apply to the Instant Action. *See Visuals Unlimited*, 2011 WL 5245192, at \*6-9.

According to the court, the plaintiff, based in New Jersey, filed suit in this District to avoid less favorable law in the First Circuit, where the opposing party preferred to litigate, and the plaintiff offered no other reason for filing suit in this forum. *Id.* at \*8. This suggested to the court that the plaintiff's sole motivation "was trying to get a jump" on the defendant. *Id.*

*Gianni Sport Ltd. v. Metallica*, No. 00 Civ. 0937 (MBM), 2000 WL 1773511 (S.D.N.Y. Dec. 4, 2000), is similarly inapplicable. That case involved a declaratory judgment action over the use of a trademark, which the plaintiff filed immediately after receiving a settlement offer from the opposing party. *Id.* at \*5. Because the plaintiff had already ceased using the trademark, and the damages had already accrued, the court declined to exercise jurisdiction over the action. *Id.* at \*4. In dicta, the court explained that, not only was the action outside the scope of the DJA, but the evidence suggested that the plaintiff was motivated to file suit by an improper purpose—the desire to gain a procedural advantage and secure its home forum. *Id.* at \*6.

As detailed above, Scholastic has legitimate and compelling reasons for filing this declaratory judgment action in New York when it did. Accordingly, the Court should apply the first-filed rule and allow the Instant Action to proceed in this Court.

#### **4. Certain Stock Photo House Licenses Must Be Adjudicated in New York**

This action should be heard in New York for the additional reason that full relief could not be afforded in Texas. Corbis, one of the Stock Photo Houses that licensed several of the images at issue on Daemmrich's behalf, entered into preferred pricing agreements with Scholastic that governed the terms of some of those licenses. *See Henderson Decl.*, Exs. A & B. One such term requires that any disputes concerning those licensed images are subject to "the

exclusive jurisdiction of the state and federal courts located in New York, New York.” *Id.*, Exs. A at 11; B at 9. Because Corbis acted as Daemmrigh’s agent in granting Scholastic permission to use the Daemmrigh images at issue, the agreements bind Daemmrigh as the principal and third-party beneficiary. *See Magi XXI, Inc. v. Stato Della Citta Del Vaticano*, 818 F. Supp. 2d 597, 609 (E.D.N.Y. 2011).

Courts have regularly transferred cases to the Southern District of New York based on these exact preferred pricing agreement forum-selection clauses—including as recently as last week. *See Whitney Decl.*, Ex. F (*Sohm v. McGraw-Hill Global Ed. Holdings, LLC*, No. 16-cv-01316-SJO-KS (C.D. Cal. June 6, 2016) (Dkt. # 44)); Ex. G (*Muench Photography, Inc. v. McGraw-Hill Cos.*, No. 3:12-cv-02473-EMC (N.D. Cal. July 13, 2012) (Dkt. # 27)). This is true even when the forum-selection clause governed only a subset of the images at issue. *See, e.g., Lefkowitz v. McGraw-Hill Cos.*, No. 13-1161, 2013 WL 3061549, at \*5 (E.D. Pa. June 19, 2013) (transferring case to New York and noting that retaining local jurisdiction over the remaining claims “would be a waste of judicial resources”).

This Court should thus maintain this entire action for the additional reason that an adjudication of whether Scholastic exceeded its license terms for some of the images can only be adjudicated in New York.<sup>8</sup>

### **III. SCHOLASTIC’S COMPLAINT SUFFICIENTLY PLEADS A CLAIM FOR DECLARATORY RELIEF**

The Complaint states a plausible claim for relief for declaratory judgment of non-infringement. Daemmrigh relies on the wrong standard for his erroneous contention to the

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<sup>8</sup> The complaint in the Texas Action omits the Corbis-issued licenses asserted in the Demand (*Whitney Decl.*, Ex. C), presumably because the forum-selection clauses in the agreements between Scholastic and Corbis require those uses to be litigated in New York.

contrary. Mot. at 21-24. Focusing almost exclusively on the statute of limitations defense, Daemmrigh argues that Scholastic was effectively required to allege every fact and date surrounding each of the images that Daemmrigh has accused Scholastic of infringing. But Daemmrigh confuses the requirements for pleading copyright infringement with the requirements for pleading a declaratory judgment action for non-infringement. The requirements are different. *See, e.g., Lee*, 2013 WL 1234829, at \*5 (recognizing that requirements for pleading affirmative infringement claims differs from requirements for pleading declaratory actions for non-infringement, and an argument to the contrary “turns the law upside down”); *see also DRK Photo*, 2012 WL 4903250, at \*1 (party suing for declaratory judgment of non-infringement not required to allege that defendant owned copyrights).

To survive a Rule 12(b)(6) motion with respect to a claim for declaratory judgment, Scholastic need only allege facts sufficient to show the existence of “a substantial controversy, between the parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment”—the same requirement needed to establish jurisdiction under the DJA. *State Farm Mut. Auto. Ins. Co. v. Rabiner*, 749 F. Supp. 2d 94, 102 (E.D.N.Y. 2010); 10B Charles A. Wright et al., *Fed. Practice & Proc. Civ.* § 2768 (3d ed. 2016) (“All that is required [in pleading a declaratory judgment claim] is a simple statement of a claim on which relief can be granted showing that the court has jurisdiction and that an actual justiciable controversy is involved.”).

Scholastic demonstrated above that the Complaint includes facts sufficient to satisfy this requirement. The Complaint describes the controversy between the parties and attached the Demand as Exhibit A. *See generally* Compl. & Ex. A. It also placed at issue the 446 images identified in the Demand and incorporates the five spreadsheets attached to the Demand that

provide information including invoice/license number, invoice date, image description, summary of rights licensed and title of publication. *Id.* ¶ 20; n.1; Whitney Decl., Ex. E.

Daemmrch has provided no authority that requires greater specificity in connection with claims seeking a declaration of non-infringement of copyright. The reason for this is elementary: Daemmrch has provided no basis or explanation for the accusation that Scholastic has infringed Daemmrch's copyrights. Without a factual basis for Daemmrch's accusations of infringement, there is nothing for Scholastic to counter. Even in an action for declaratory judgment of non-infringement, Daemmrch still bears the burden of proving that Scholastic infringed. *See Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S. Ct. 843, 849 (2014) (when a licensee seeks a declaratory judgment to establish that there is no infringement, the burden of proving infringement remains with the rights holder). Thus, the Complaint adequately puts Daemmrch on notice of Scholastic's claims and is sufficiently pled. *See Twombly*, 550 U.S. at 570 (plaintiff must plead "only enough facts to state a claim to relief that is plausible on its face").

#### **IV. IF REQUIRED, LEAVE TO AMEND SHOULD BE GRANTED**

In the event that the Court decides to dismiss any part of Scholastic's Complaint, "permission to amend it shall be freely given" where, as here, "justice so requires." *See* Fed. R. Civ. P. 15(a)(2). No reason exists to deny leave to amend here. *See, e.g., Lee*, 2013 WL 1234829, at \*5.

**CONCLUSION**

For the foregoing reasons, Scholastic respectfully requests that this Court deny Daemmrch's motion to dismiss.

Dated: New York, New York  
June 14, 2016

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